

Insurance law fails to grab the graduates

Long term, there could be an acute shortage of trained insurance lawyers, according to specialists, **Alex Boxsell** reports.

Insurance specialists say tort reforms, reduced litigation and an increase in the buying power of insurers are combining to cause a serious decline in the number of young lawyers training in insurance law.

One of Australia's top insurance law experts believes smaller firms around the country have had considerable difficulty in attracting graduates, who believe corporate, banking and tax law hold more lucrative, long-term career prospects.

Michael Pitt, national chairman and managing partner of Moray & Agnew, says the nationwide decline in interest has been caused by the perception of a decreasing market in the insurance industry.

Overly severe tort reforms and the resultant publicity of a decrease in litigation are having a cumulative effect and long term there could be an acute shortage of trained insurance lawyers in the market, he says.

Graduates no longer look to insurance law as providing a rosy career path, Pitt says. But he adds that speciality firms such as Moray & Agnew are still being "seen as somewhat of a sanctuary for those that really do want to get into that sort of work".

Bartier Perry's chairman, Will Murphy, says areas of insurance that have recently undergone government regulation of dispute resolution and cost control in NSW — compulsory third party, workers' compensation and public liability — are now less attractive to young lawyers.

Law graduates are asking themselves "do I want to build my skill base up in something that is subject to so much regulation, and has undergone a lot of change over the last few years, or do I want to build my skill base up in corporate law or property", he says.

Most graduates in large firms will opt for more lucrative areas, particularly if they want to become equity partners, Julian Midwinter & Associates



Layers and layers of regulation are deterring young solicitors from specialising in insurance.

Illustration: KARL HILZINGER

Clients apply pressure for IT updates

Insurance clients are flexing their muscles in order to gain greater services from law firms, including the

provision of up-to-the-minute information technology systems to track the progress of their work.

Moray & Agnew, one of the largest specialist insurance firms in Australia, was among the first firms to invest millions in a cutting-edge CMS practice management system several years ago. DLA Phillips Fox picked up a similar system soon after, says Moray & Agnew national chairman and managing partner, Michael Pitt.

"We adopted new IT systems to compete in this price-sensitive industry," Pitt says. "That meant we changed the economics of how

we manage and service clients." CMS is an online electronic information system that allows the

firm to automate and customise its practice management activity for insurance clients.

"That's anything from capturing all relevant client case information for client reports, recording of time, billing and disbursements through to scheduling of court dates to recording archived case files," Pitt says.

Sparke Helmore uses a three-tier IT system called Visual Files for its insurance clients. This software allows for timely billing, networked knowledge management to build a directory of precedents, and a web-enabled case management system.

"What those systems do is really drive the way a case is managed in a collaborative way," insurance partner

Desiree Scholz says. "It promotes really efficient data transfer and skill sharing between the lawyer and the client."

The Elite management system is employed by Ebsworth & Ebsworth, although not at the request of clients, who are "more concerned about the quality of the lawyers we have rather than processes and systems that we employ to service them", chief executive Mike Watson says.

Curwoods Lawyers and Bartier Perry both use Extranet to service their clients.

Alex Boxsell

consultant Linda Julian says.

"Many a young lawyer in a firm who sees insurance and commercial side by side will look at the status, the money, the power and prestige of the insurance partner relative to the commercial partner, and decide

which camp they want to join," she says. "There is a real danger that in the future there may not be an adequate supply of suitably capable and experienced insurance lawyers because of the economics at work in the insurance law marketplace."

Yet larger firms with a continuing dedication to insurance law say they are unaffected by any downturn in graduate involvement in the market.

In Minter Ellison's Melbourne office, partner Peter Coats says his

insurance and corporate risk practice is the most popular among recent articulated clerks. "We get more people nominating us as their first preference than the other practice groups," he says.

Coats has not seen any sign that tort reforms are deterring young lawyers from specialising in insurance at Minter, but he says the rationalisation occurring in the market more generally may be a source of "nervousness".

Ebsworth & Ebsworth chief executive Mike Watson says the successful recruitment of young lawyers depends on the area of the insurance market a firm operates in.

Through targeting the premium end of the market, Watson's firm has suffered no downturn in the number of graduates interested in insurance, he says.

He says smaller firms with a focus on liability work may find recruitment more difficult, but this could be due to a lack of career progression opportunities.

A partner and manager of Sparke Helmore's insurance strategy, Desiree Scholz, says smaller firms historically strong in insurance are struggling to attract good lawyers due to an inability to grow and develop their businesses.

She says graduate recruitment in insurance is vital, as clients are looking for greater efficiency in services provided not only by supervising partners but by a strong team of less experienced staff.

It is in this way that firms can remain competitive in the market by using cost-effective and sustainable practices, she says.

Moray & Agnew is also encountering clients demanding a fixed share in the workload according to experience level.

Pitt says one major client allocates a percentage of time to each professional level for a given matter. For example, a partner and/or special counsel or consultant would contribute 20 per cent of the total time; a senior associate 40 per cent; and a solicitor, paralegal or law clerk the remaining 40 per cent.

"Essentially insurers are telling us to keep to a minimum billable partner time in each matter by pushing the work down to the more junior levels," he says. "Again, this shows how insurers use their buying power to flex their muscles to reap significant cost benefits."